

PARTIAL TRANSCRIPTION - ORIGINAL FOLLOWS

1. INTERNATIONAL ECONOMIC PROBLEMS

PRESIDENT KENNEDY, after welcoming Mr. Macmillan and his party, said that his administration were faced with a number of difficult economic decisions, such as the outflow of gold and the problem of reciprocal trade. What happened in Western Europe, particularly in relation to the Six and the Seven, would affect the United States and their future prospects. He would like to hear Mr. Macmillan's prognosis of economic developments.

MR. MACMILLAN said that, in his view, the Communist Powers were gaining ground at the expense of the West. This was due to the free world's divisions. Only when these divisions were healed in the fields of banking, finance and trading would it be possible for us to help each other and help the less developed countries. One reason for these divisions was the re-emergence of Europe; it was almost true to say that Europe was now a third force. He and President Kennedy had recently had discussions about Laos and it was significant that Germany and Italy and even France, though now rich countries, were not interested in this problem. We must find a way of operating our financial, economic and trading policies in such a way that this kind of thing did not happen. We must re-unite the West under American leadership. This must be the theme of our policy.

Mr. Macmillan said that there was a long-term and a short-term aspect to the economic problem. Both the United States and the United Kingdom were in temporary difficulties and yet their two currencies were the reserve currencies of

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P.M.(W)(61) 1st Meeting

RECORD OF A MEETING HELD AT THE WHITE HOUSE  
ON WEDNESDAY, 5TH APRIL, 1961,  
AT 11.00 a.m.

PRESENT:

United Kingdom

The Rt. Hon. Harold Macmillan,  
M.P.  
The Rt. Hon. The Earl of Home  
The Rt. Hon. Sir Norman Brook  
Sir Frederick Hoyer Millar  
Sir Harold Caccia  
Sir Robert Hall  
Mr. D.B. Pitblado  
Mr. J.W. Russell  
Mr. A.C.I. Samuel  
The Hon. P.E. Rambothan  
Mr. P.P. de Zulueta  
Mr. J.A. Thorson

United States

President Kennedy  
Mr. Dean Rusk  
The Hon. Douglas Dillon  
Mr. George Ball  
Mr. David Bruce  
Mr. Foy Kohler  
Mr. Charles Bohlen  
Mr. Walter Heller (Item 1)  
Mr. James W. Swiehart (Item 1)  
Mr. Dean Acheson (Item 2)  
Mr. Averell Harriman (Item 2)  
Mr. Roswell Gilpatric (Item 2)

1. INTERNATIONAL ECONOMIC PROBLEMS

PRESIDENT KENNEDY, after welcoming Mr. Macmillan and his party, said that his Administration were faced with a number of difficult economic decisions, such as the outflow of gold and the problem of reciprocal trade. What happened in Western Europe, particularly in relation to the Six and the Seven, would affect the United States and their future prospects. He would like to hear Mr. Macmillan's prognosis of economic developments.

MR. MACMILLAN said that, in his view, the Communist Powers were gaining ground at the expense of the West. This was due to the free world's divisions. Only when these divisions were healed in the fields of banking, finance and trading would it be possible for us to help each other and help the less developed countries. One reason for these divisions was the re-emergence of Europe; it was almost true to say that Europe was now a third force. He and President Kennedy had recently had discussions about Laos and it was significant that Germany and Italy and even France, though now rich countries, were not interested in this problem. We must find a way of operating our financial, economic and trading policies in such a way that this kind of thing did not happen. We must re-unite the West under American leadership. This must be the theme of our policy.

Mr. Macmillan said that there was a long-term and a short-term aspect to the economic problem. Both the United States and the United Kingdom were in temporary difficulties and yet their two currencies were the reserve currencies of

TOP SECRET

the world. They therefore had to endure double strain. One thing that must be done was to put pressure on the countries that were running a surplus to induce them to disgorge it. The German surplus was a case in point. It was significant that this was almost equivalent to the amount that her allies spent in keeping troops on her territory for her defence. Paradoxical though it might seem, it was true that the problem of imbalance could in theory be solved by withdrawing these troops and abandoning the military alliance. It was true that plans were being drawn up to reduce this imbalance by measures which included increased sales of arms to Germany from the United States and the United Kingdom. Another short-term remedy would be greater use of, and more flexibility in, the International Monetary Fund. One encouraging sign in our recent difficulties had been the greater co-operation of the central banks in curbing speculation of individuals.

Turning to the longer term, Mr. Macmillan said that he did not see how the free world could carry on four times the amount of trade with only twice the amount of credit that had been available in the past. It was therefore essential to increase the total credit resources of the free world and to increase the rapidity of credit movement. Secondly, it was essential to ensure that one country did not accumulate capital and sit on it. If one player in a game accumulated all the counters and did not put them back into circulation, the game could not continue. In the 19th century the United Kingdom had earned huge surpluses and re-invested them overseas. Since the war the United States had made vast resources available in aid. The rich European countries should now be doing the same. There must be an understanding that no country should sit on all the counters. The central banks might be able to find a way of preventing the holding of surpluses. Capitalism would not work unless it was running at full speed. Unless the free world could organise this, and it would be for the United States and the United Kingdom to take the lead, power would pass to the Communists.

MR. DILLON, who was invited by President Kennedy to comment on Mr. Macmillan's remarks, agreed that the immediate need was to increase the possibilities of drawing on the International Monetary Fund under its existing Articles of Agreement - though he did not think that the United States themselves would wish to exercise any drawing rights this year. The countries with surpluses did not like being called upon for funds in the International Monetary Fund and it would therefore be necessary for the United States and the United Kingdom together to put pressure on them. Mr. Dillon said that he was glad we had been able to make some progress with the Germans in the matter of the purchase of military equipment from the United Kingdom, and the United States certainly hoped to do the same.

So far as the long-term problem was concerned, Mr. Dillon said that a condition of any solution that might be found would be its acceptability to Congress and, he assumed, to the United Kingdom Parliament. Anything in the nature of a world central bank would involve some encroachment on national sovereignty. The United States Government were studying this aspect of the problem. Another point that he

TOP SECRET

PARTIAL TRANSCRIPTION - ORIGINAL FOLLOWS

wished to emphasise was that we must press on with short-term remedies and not talk to the European surplus countries about our ideas for long-term remedies, lest they should use them as an excuse for not doing anything in the short term. MR. MACMILLAN entirely agreed with this point.

PRESIDENT KENNEDY intervened to say that, if the United States lost gold for another year, there would undoubtedly be pressure on them to cut down either their foreign aid or their military commitments. We hoped therefore that the Germans would help by playing their part both by taking a greater share of aid to less developed countries and in increasing their arms purchases from allied countries.

MR. MACMILLAN said that he hoped it would be possible to examine ways in which the military costs of the United States and United Kingdom in Germany could be lessened. One possibility was that money might be saved by changing the location of the troops. Another was by making arrangements which would ensure that money spent on stationing troops in Germany would be paid out again by the Germans either in foreign aid or in purchases of military equipment. If the location of troops was to be changed, one way for the United Kingdom might be to have British troops stationed at home though still under North Atlantic Treaty Organisation command.

PRESIDENT KENNEDY said that one of the difficulties for the Germans was that there was still a feeling in Germany that the British and American troops were an occupation force. He fully agreed that a study of this problem should be made.

President Kennedy then asked how the problem of the Six and the Seven stood. Did Mr. Macmillan think a more prosperous Europe would come out of it, with opportunities not only for the United Kingdom but also for the United States and Canada, or would the problem of the Six and the Seven be solved in such a way as to cause difficulties for all of us?

MR. MACMILLAN said that there were both economic and political aspects to this problem. Modern technology demanded that markets should be larger; and, the larger a trading association was, the more useful it would be. His own dream was that the Six and the Seven might ultimately form part of a wider Atlantic Union. The widest possible trading area would thus be created. His own feeling was that the United Kingdom and some of their partners in the Seven would have to find a means of association with the Six. He believed that it was in the interest of the free world that Europe should be re-united and should ultimately look to an Atlantic union. Otherwise the Six might

PARTIAL TRANSCRIPTION - ORIGINAL FOLLOWS

constitute themselves a third force and that would cause difficulties both for the United Kingdom and for the United States. At present the main obstacle might be General de Gaulle, who saw in the Six a political entity which would allow Europe to be free from what he regarded as the domination of the Anglo-Saxons. But, if he went, the leadership might pass to Germany and it might not be Dr. Adenauer's Germany. The temptation to set themselves up as a third force would be very strong. Mr. Macmillan therefore thought that it would be to the advantage of the Western world that the United Kingdom should be associated with the political institutions of the Six. The United Kingdom could provide a stabilising element which would prevent either France or Germany from dominating Europe. He would like to see this come about provided it was supported by the United States.

TOP SECRET

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TOP SECRET

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TOP SECRET

Mr. Macmillan added that it was sometimes suggested that the choice for the United Kingdom was between Europe and the United States. He did not accept that. He thought that we should all try to work together and that the United Kingdom could use its influence to make a bridge between Europe and North America. That is why, provided he was sure of United States support, he would like to get into the Six.

PRESIDENT KENNEDY agreed that the arguments that Mr. Macmillan advanced in favour of United Kingdom participation in the Six were valid. He thought that if the United Kingdom took such steps now, when conditions were favourable, the effect would be to tie Germany more closely to the West. This would be to the common good. But if the United Kingdom remained aloof from this European association until after Dr. Adenauer and President de Gaulle had gone, the situation would be very much more difficult. He added that it would also be in the economic interests of the United States and of the Commonwealth for the Six to be broadened. It was true that the United States and some of the less developed countries, particularly in Latin America, would have to face certain problems, but the free world in general would be strengthened.

LORD HOME said that, if we had seemed slow in coming to the conclusion that we ought to join the Six, this was because we had to be very careful of the interests of other Commonwealth countries. We must not harm them and so risk breaking up what was a stabilising factor in the world. Now, however, we were beginning to see how we could deal with this problem without undue detriment to our own interests or those of other Commonwealth countries.

## 2. NORTH ATLANTIC TREATY ORGANISATION

PRESIDENT KENNEDY suggested that Mr. Rusk should open a discussion on the political aspects of the North Atlantic Treaty Organisation (N.A.T.O.). Mr. Acheson could then report the results of the study of its military aspects, over which he had presided.

MR. RUSK said that the new Administration had been thinking a great deal about the health of the Atlantic Community. They felt that in the 1960's the Atlantic Community would be faced with problems which would take it well beyond the concepts on which N.A.T.O. had been founded in the 1940's. Even if Communism did not exist, the birth of new countries and the recent developments of science and technology call for far-reaching changes. As it was, the Communist Sino-Soviet bloc had taken advantage of the turmoil to launch a new type of offensive. This was reflected in the communiquo issued by the Communist Summit meeting in November, 1960. There had been a startling increase in the employment of Communist resources outside the bloc, and they certainly got a high political return on their investment. The Administration felt that we must all consider the 1960's as a period of struggle for the survival of free institutions in all parts of the world.

Mr. Rusk continued that in this situation the Administration judged that the unity and cohesion of the Atlantic Community was critical to the survival of free institutions everywhere. The tasks it faced in the fields

TOP SECRET

## PARTIAL TRANSCRIPTION - ORIGINAL FOLLOWS

of defence, economics and politics were very large. Much would turn on its ability to achieve unity and to mobilise its resources. Both the United Kingdom and the United States were deeply committed in other parts of the world. Nevertheless, the Administration felt that the unity and strength of the Atlantic Community must be a central object of policy.

If this were accepted, Mr. Rusk continued, what did it imply for national policies? He thought there had hitherto been certain failures amongst members of the Atlantic Community to give proper weight to the effect of purely national policies on the Community as a whole. The United States, amongst others, had been negligent in this duty. Much could be done by improving consultation. Not enough use had been made of the North Atlantic Council. Nor had it proved to be a very effective forum for the solution of disputes within the Community. He hoped that the North Atlantic Council could be transformed into a forum where the national representatives would be men of outstanding ability able to discuss affairs "up to their metal". Mr. Rusk also thought that informal sub-committees could be established to deal with various areas, e.g., Latin America, South-East Asia, etc. The existence of such committees should not be publicised. Another possibility was that every six months or so groups of distinguished men, who would not be the official representatives of their governments, might be appointed to assess what was happening and how N.A.T.O. was getting on.

Mr. Rusk summarised his views by saying that, despite the difficulties, far-reaching questions should be discussed in the North Atlantic Council so that problems might be assessed before they arose in an acute form and a consensus of opinion developed which would make action easier when the time came for it. We should make it clear to our allies that the health of the Atlantic Community was a central object of policy, and that the lesser members of it would be enabled to voice their views before decisions were made. We must look for ways to increase the weight given to the interests of the Atlantic Community as a whole when national policies were being formulated.

MR. ACHESON said that he had studied the military policies of N.A.T.O., in consultation with representatives of the State Department, the Treasury and the Department of Defense. With the President's consent he gave the following summary of his conclusions.

TOP SECRET

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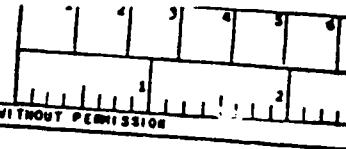
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He had begun by trying to cost the requirements for 1962-6 which Supreme Allied Commander, Europe (SACEUR) had sent to the Standing Group. This was difficult to do, but it seemed probable that these requirements would over five years cost \$25 billions more than the total of what N.A.T.O. was now spending over the same period. He concluded that this figure was larger than the N.A.T.O. countries could afford and that, in any case, it would be undesirable to spend so much in N.A.T.O. having regard to needs elsewhere.

From this starting point he had studied the military policy of N.A.T.O. This seemed to have turned almost a complete circle. In the early days the theory had been that the shield forces would be able to stop an attack and thus

TOP SECRET



TOP SECRET

enforce a pause in which decisions could be made. In 1956-57, when the failure to achieve the force goals had become manifest, the decision had been taken to equip N.A.T.O. with nuclear weapons. The question whether N.A.T.O. should be a nuclear Power was now academic: N.A.T.O. was already a nuclear Power.

SACEUR had found that, according to his Standing Orders, he should use nuclear weapons at the outset of a conflict. This seemed undesirable. He had therefore introduced a gloss which had the effect of raising the threshold at which nuclear weapons were introduced and once again introduced the doctrine of enforcing a pause. This seemed sensible.

Looking at the existing forces, Mr. Acheson thought there was already very considerable nuclear power in Europe. But the conventional capacity was not enough. He had therefore recommended to President Kennedy that first priority should be assigned to the build-up of conventional forces. N.A.T.O. should adhere strongly to the forward strategy. N.A.T.O. conventional forces, using conventional weapons, should be able to deal with the Soviet forces currently in Europe, say, some twenty divisions. The object would be to hold off the enemy forces for two or three weeks. This would give a pause. But if the Russians pressed on this would be nuclear war. On non-nuclear forces, Mr. Acheson said that his recommendation was that the doubts which had been raised by the previous Administration at the December Ministerial meeting should be set at rest. It should be made clear that there was no intention to withdraw United States forces from Europe. The United States should express the hope that other member Governments would rapidly build up their own forces to the required levels and standards. This was not impossible, assuring that the French were able to bring back their divisions from Algeria and the Germans pressed on with the provision of the five divisions which would bring their troops up to the level of their commitments. It was also possible that Britain might do more. Thus, the first priority was to bring the conventional forces up to strength, to modernise them and to improve their mobility. One consequence of this would be a switch in the emphasis of United States aid from nuclear weapons to non-nuclear weapons.

On nuclear forces, Mr. Acheson's recommendation was that President Kennedy should make it clear that the United States had no intention of removing any of the nuclear weapons already held in the N.A.T.O. area, and that nuclear weapons already promised and in the pipeline should be allowed to go forward. In future, however, the supply of nuclear weapons should have second priority to non-nuclear forces. The provision of the M.R.B.M.s. for which SACEUR had asked would not only be far too expensive, but was also a dangerous way of putting fire-power into Europe. It was undesirable that there should be a high concentration of these weapons in the forward areas. Sea-borne missiles were preferable.

Mr. Acheson said there were two inconsistent attitudes in Europe. Some people feared that the United States might be too ready to use nuclear weapons. Others feared that she would be reluctant to do so. These anxieties might be met by arrangements under the headings of control and command.

TOP SECRET

PARTIAL TRANSCRIPTION - ORIGINAL FOLLOWS

LORD HOME said that he agreed generally with Mr. Rusk's analysis of the political problems in N.A.T.O. He was glad to hear the emphasis placed on using the Development Aid Group and O.E.C.D. This was the way to meet the Soviet economic challenge. He agreed also that there should be more political consultation in the North Atlantic Council. He recalled that at the last Ministerial meeting the question had been raised, and it had been left to the Council to consider how this could be done. He was dubious, however, about the idea of periodical reviews of N.A.T.O. performance by independent "Wise men". He agreed that N.A.T.O. was still the kernel of our collective security system. But there was a case for reviewing the position. Might we be over-insured in Europe? There was the problem of payments across the exchanges, and it was dangerous to make N.A.T.O. too strong in nuclear weapons, especially M.R.B.Ms. He was glad to hear that the emphasis was now to be changed back to conventional weapons, but this faced the United Kingdom with problems.

TOP SECRET

There should be stricter control so that the risk of the unauthorised use of nuclear weapons would be diminished. On command, the allies should be asked to think out a set of rules. At present the President under the law had the sole responsibility for releasing nuclear warheads. In the case of the United Kingdom, Italy, and possibly soon with Germany, this was modified by special agreements. But this was an unsatisfactory situation. It seemed desirable that in the case of ground missiles and water-borne missiles the President should say that, until the allies had worked out some better system, if one could be found, he would undertake to use the nuclear warheads at present under American lock and key in Europe if Western forces were subjected to a nuclear attack or to a conventional attack which could not be contained. This would inevitably involve the United States coming to the defence of Europe with all its power, for no one would suppose that America would use nuclear weapons in Europe without using the Strategic Air Command. This should satisfy those who feared America might stand aside in a crisis.

The fears of those who felt that America was trigger-happy might be met by an offer by President Kennedy to honour a set of principles, which the allies could draw up themselves with United States participation, directing how and in what circumstances nuclear weapons should be used. Alternatively, the allies might prefer to establish something in the nature of a War Council for this purpose.

LORD HOMER said that he agreed generally with Mr. Rusk's analysis of the political problems in N.A.T.O. He was glad to hear the emphasis placed on using the Development Aid Group and O.E.C.D. This was the way to meet the Soviet economic challenge. He agreed also that there should be more political consultation in the North Atlantic Council. He recalled that at the last Ministerial meeting the question had been raised, and it had been left to the Council to consider how this could be done. He was dubious, however, about the idea of periodical reviews of N.A.T.O. performance by independent "visc en". He agreed that N.A.T.O. was still the kernel of our collective security system. But there was a case for reviewing the position. Might we be over-insured in Europe? There was the problem of payments across the exchanges, and it was dangerous to make N.A.T.O. too strong in nuclear weapons, especially M.R.B.M.s. He was glad to hear that the emphasis was now to be changed back to conventional weapons, but this faced the United Kingdom with problems.

In reply to questions, MR. ACHESON said that his idea was that nuclear weapons should be re-grouped so that there was stricter control over them, and he did not necessarily advocate the complete elimination of M.R.B.M.s. There should be constant study of the development and role of new weapons. He did not expect that, if the President agreed to make the declarations he had recommended, these would be public. He thought they should be undertakings given to the North Atlantic Council.

MR. MACMILLAN said that the core of the whole problem was the revival of Europe. The present malaise resulted from the feelings of the French and others that their position was

TOP SECRET

## PARTIAL TRANSCRIPTION - ORIGINAL FOLLOWS

in some way inferior to that of the Anglo-Saxons. One possibility might be that the United Kingdom should offer to share its national nuclear capability with its Allies. Another might be to let the French develop theirs. The West Germans needed us for the protection of Berlin and were perhaps not very likely to take an independent line. If the French brought back their army from Algeria, the difficulties in N.A.T.O. might be intensified. For General de Gaulle would be reluctant to put the French Army under SACEUR. The Army meant a lot in France - much more than it did in Britain or the United States. General de Gaulle believed that the Army and the Church were the two bulwarks against Communism in France. Another way of posing the problem was to ask whether France was to be regarded as a world Power or as a European Power. Until General de Gaulle was satisfied that he ranked as a world Power he would not co-operate fully with the West, whether in N.A.T.O. or outside it. This was clear from the attitude he was adopting over the Congo, Laos, nuclear tests and the choice of a new Secreatry-General for N.A.T.O. It went right through both the economic and political aspects of the problems surrounding the Six. The pride of General de Gaulle and of other very determined men in Europe demand that they should have some fuller share of control over the nuclear strength of the West. They could not tolerate a position in which their future was decided by others. They were determined to put Europe back on the map. There were certain signs in Germany that were alarming. He felt strongly that the fundamental fact was that the Europeans were not going to be treated as second-rate people.

MR. MACMILLAN made it clear that he was posing a problem, not offering a solution. It was evident, however, that tinkering with the powers of SACEUR was not enough. It was also evident that a small number of unsophisticated nuclear bombs, which might not amount to much of a force could nevertheless cause a great deal of trouble.

PRESIDENT KENNEDY asked whether there was any formula which might satisfy the Europeans, or would they only be satisfied if they had a national nuclear capability?

MR. MACMILLAN said that they must have terms of honour. Perhaps if the French had a national nuclear capability they would be prepared to put it back into some form of pool. French feelings on this were strong. They were jealous of the special relations which the United Kingdom had with the United States. They did not understand that this existed, not because we were Anglo-Saxons, but because we had discoved how to work sensibly together.

MR. MACMILLAN said that we had go to find some way of meeting this problem. If President Kennedy felt it would help, the United Kingdom might be able to go into the Six.

PARTIAL TRANSCRIPTION - ORIGINAL FOLLOWS

He thought this was possible.

Mr. Macmillan thought there should be more consultation, and not only in respect of the N.A.T.O. area. It was unreal to suppose that all member countries could contribute equally. There might perhaps be groups, and these might bring in others, such as Australia and New Zealand and Brazil. We might in this way try to bring Germany and France out of



TOP SECRET

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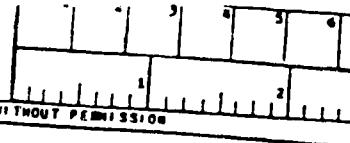
PRESIDENT KENNEDY asked whether there was any formula which might satisfy the Europeans, or would they only be satisfied if they had a national nuclear capability?

MR. MACMILLAN said that they must have terms of honour. Perhaps if the French had a national nuclear capability they would be prepared to put it back into some form of pool. French feelings on this were strong. They were jealous of the special relations which the United Kingdom had with the United States. They did not understand that this existed, not because we were Anglo-Saxons, but because we had discovered how to work sensibly together.

MR. MACMILLAN said that we had got to find some way of meeting this problem. If President Kennedy felt it would help, the United Kingdom might be able to go into the Six. He thought this was possible.

Mr. Macmillan thought there should be more consultation, and not only in respect of the N.A.T.O. area. It was unreal to suppose that all other countries could contribute equally. There might perhaps be groups, and these might bring in others, such as Australia and New Zealand and Brazil. We might in this way try to bring Germany and France out of

TOP SECRET



TOP SECRET

themselves and thus prevent a dangerous spirit from growing which would destroy the fundamental purpose of N.A.T.O. There must, of course, be unity but at the same time we should recognise a reasonable diversity within the Atlantic Community.

### 3. EUROPE

MR. BULLIS said he was impressed by the similarity between Mr. Macmillan's views and those of the United States Government on the problem of the Six and the Seven. The United States Government attached more weight to the political than the economic aspects. Here their objectives were two-fold, to maintain close Franco-German understanding and to bind Germany closely to the West. While they recognised that the relationship of the United Kingdom and the Seven with the Six was primarily a problem for the countries concerned, the Americans had been worried at the early ideas of a European Free Trade Area which seemed calculated, from the American point of view, to increase the commercial disadvantages while weakening the political advantages of a united Europe. They had feared that the United Kingdom, acting as a pole of attraction, might weaken the forces for unity among the Six. But if the United Kingdom became a member of the Six and brought her political genius to bear within it, she would provide an element of stability in the period of uncertainty which was likely to follow the departure of the present French and German leaders. Such a decision on the part of the United Kingdom would also confirm even more closely the special relationship of confidence between the United States and United Kingdom Governments. In short, the interests of all parties, on both sides of the Atlantic, would be advanced if the United Kingdom could see her way to become a member of the Six. But if there were merely some economic accommodation between the Six and the Seven, this would not only weaken the political value and potential of the Six but make the commercial problems more difficult for North America. He hoped that the O.E.C.D. might serve as an umbrella for further developments, possibly lead to some binding ties between the two sides of the Atlantic. If it was a question of bringing the Seven together into relationship with the Six, this again might raise difficulties insofar as the neutral members, i.e. the Swedes, the Swiss and the Austrians, would be unable to play their full part in the political institutions of the Treaty of Rome. He hoped therefore that the United Kingdom would take the lead and then see to what extent the other members of the Seven could follow suit.

MR. MACMILLAN remarked that the three neutral members of the Seven would in any case have to be treated as special members of a wider relationship. He did not think this would present any great difficulty. SIR RUPERT HALL agreed and suggested that the O.E.C.D. might help over this.

MR. HALL then turned to the question of the Commonwealth and the problem of tropical foodstuffs. Any merger of the two preferential systems would be difficult for the Americans, particularly in respect of their responsibilities to non-member, under-developed States. He hoped that the United States and the United Kingdom could tackle this problem together.

TOP SECRET